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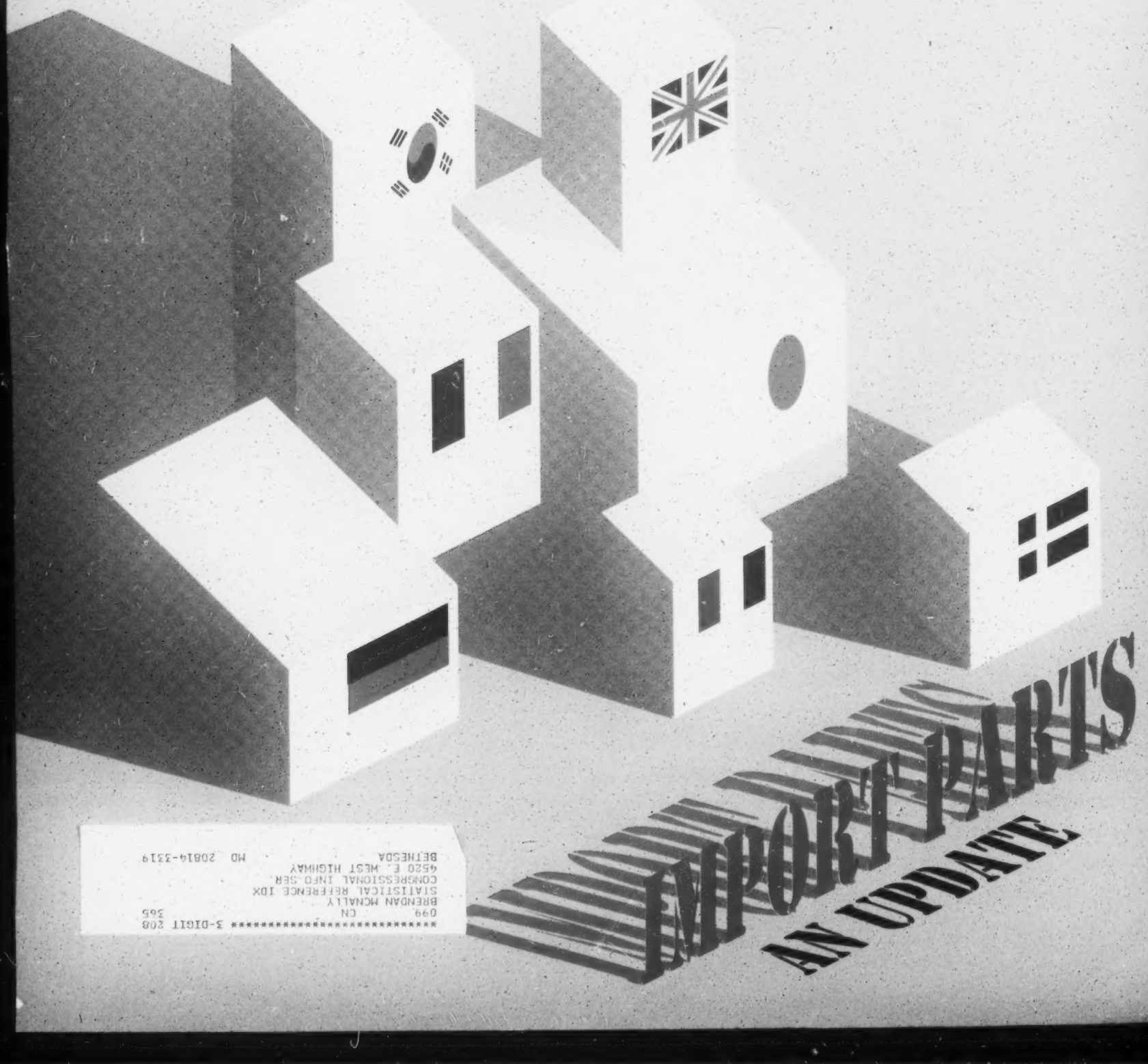

IMPORT PARTS AN UPDATE

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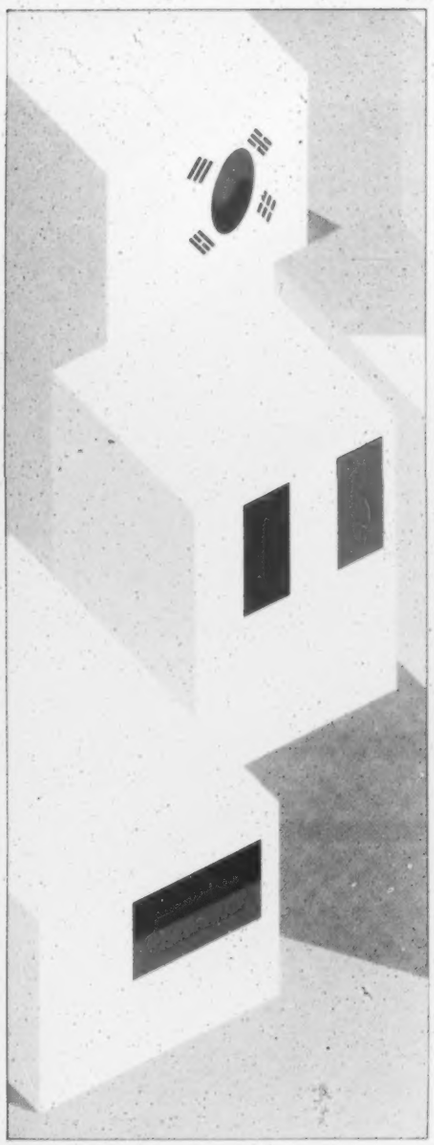

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EDITORIAL STAFF
FAX (215) 964-4981

Steve Davis, Editor (215) 964-4395
Phil Katcher, Business Editor
John Wirebach, Senior News & Feature Editor
Wendy Ampolsk, Contributing Editor
Edward L. Kaufman, Contributing Editor (201) 567-6158
Bonnie Lynne Shannon, Editorial Assistant
Jake J. Smith, Creative Director
Mike Trinsey, Art Director
Sarah Frankson, Group Publisher (215) 964-4390

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CHILTON OFFICERS
Donald W. Chestnut, Sr. V.P. Operations/Admin.
Christopher M. Savine, V.P. Finance, C.F.O.

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JESSE H. NEAL AWARD-WINNING PUBLICATION FIVE OUT OF EIGHT YEARS

BPA

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MARKET LINE

A New Light on Peterson Manufacturing

Quick, what do a Cat bulldozer, Harley Davidson motorcycle, and the new Dodge Viper supercar have in common? Stumped? The answer is that Peterson Manufacturing is an OE supplier for lighting products to the makers of these three diverse vehicles. Surprised, so were we after a recent visit to Peterson's newly renovated headquarters in Grandview, MO.

Heretofore, our fuzzy impression of Peterson was of a small, "Show Me" state manufacturer cranking out lights for the automotive and marine markets. Like most in the aftermarket, we weren't aware that Peterson's manufacturing and warehousing operations were state-of-the-art computer managed. Just-in-time (JIT) manufacturing follows an item from raw materials at one end to finished, packaged, and addressed item out the other end. Or, that computer-assisted-design and 25%-better than Department of Transportation specifications and testing assure product quality.

And, there's more to the company that employees and customers alike don't realize. Most are amazed to learn that Peterson Manufacturing and Anderson Marine, manufacturers of safety lighting, reflectors and mirrors, together accounted for less than 60% of the Peterson Corporation's annual sales. Peterson has substantial holdings in a variety of industries.

- Peterson Manufacturing is a leading manufacturer of vehicle lights, reflectors and mirrors for the automotive and heavy truck markets.
- Anderson Marine manufactures safety lighting and accessories for the marine industry.
- Kansas City Aviation Center (KCAC), a full-service fixed base operation (FBO) at the second busiest airport in Kansas.
- D & D Aviation specializes in corporate air management for corporate travel needs.
- Transworld Products, Inc. is an international sourcing company that oversees product development, vendor negotiations, quality inspection, shipment routing and related services to companies seeking overseas products. Industry veterans staff offices in Taiwan, Hong Kong, and at Peterson headquarters.
- Renzenberger, Inc. provides crew transportation services to railroads.
- Mission Plastics North and Mission Plastics of Arkansas supply both Peterson and outside companies with plastic products.

Newly renovated company headquarters in Grandview, Missouri house over 350,000 square feet of corporate offices, manufacturing and warehouse space on 44 acres of land, and the Mission Plastics of Arkansas plant located in Nashville, Arkansas provides Peterson with additional manufacturing space. Total sales for the Peterson Corporation reached well over $75 million in 1991.

In October of 1956, Don R. Armacost, a young businessman from Kansas City, purchased a small vehicle lighting enterprise for the sum of $350,000, 86% of which was borrowed capital. The company, Peterson Manufacturing, specialized in the manufacture of safety lighting products for the automotive and heavy duty markets and tallied sales averaging $756,000 annually. Western Auto was Peterson's largest account, comprising about 40% of the company's business, and the remainder were outlets much like Western Auto. Within the first year, Mr. Armacost succeeded in boosting total sales to over $1,000,000, a 25% increase over the previous year, and soon began looking for ways to expand.

OE involvement came in the early 1960s with the invention of an innovative light socket, developed by Mr. Armacost and his chief engineer, that greatly extended the life of bulbs used for truck lighting. The recent switch from six to 12-volt electrical systems, created a problem with the halved diameter of fine filament wires in 12-volt bulbs. Bulb life was reduced, and costs increased dramatically.

The Vibar shock-mounted socket created by Peterson Manufacturing, however, countered the effects of road shock and vibration, significantly prolonging bulb life. Peterson obtained a patent on the Vibar socket and shortly afterward acquired its first major OE customer, Trailmobile. The rest is history, and Peterson was on the road to increased sales and diverse markets.

The Armacost family has remained at the helm of the Peterson Corporation these past 36 years, with Don Armacost, Sr. Chairman, son Don Jr. as President and CEO, and son David as Executive Vice President—Operations. Despite enormous growth, Peterson has maintained the mentality and modus operandi of a family business, and progressive employee benefit programs such as profit sharing, guaranteed education funding and job rotation contribute to a nearly zero job turnover rate.

For example, employees participating in the Employee Stock Ownership Plan, together with executives who have been allowed to purchase shares of company stock, will own nearly 30% of Peterson Manufacturing within a few years time. In the area of education, Peterson maintains a scholarship fund that awards $2,000 per year for four years towards the college tuition costs of employee children. Peterson associates who pursue job-related coursework or degrees are fully reimbursed for tuition.

Don Armacost, Jr. explained why Peterson has been somewhat reluctant to play up its rank as a major-league corporation, one of the big boys. "It probably has more to do with personal style than anything else. My father, and his before him, has always been low key, preferring to let actions and accomplishments speak for themselves. It is a fact that not too many years ago we were a small company in comparison to most of our competitors."

"Our goal to be the very best at everything we do has fueled growth and acquisition opportunities, and we have been fortunate to be able to capitalize on them. We have enjoyed a strong balance of planned growth and raw opportunism that has provided us with some unique situations over the last few decades."

As the lighting business picked up throughout the 1960s and Peterson's manufacturing capacities grew, so did the need for a reliable, cost-efficient supplier of uniform, high-quality engineering plastic products. Mission Plastics was established in 1968 for that purpose. The company now does fully two-thirds of its business with outside customers. Annual sales are 18% of Peterson corporate revenues.

Drawing on Peterson's expertise in the areas of computerized inventory, scheduling and quality control, Mission Plastics is able to tailor its production schedule to the Material Requirement Planning (MRP) and JIT planning schedules of each client, and the company's in-house engineering department specializes in building quality molds from the most exacting customer plans.

Additionally, Mission Plastics has initiated a pro-active plastics recycling program that is in keeping with Peterson's profile as an environmentally conscious manufacturing company.

Transworld Products, Inc., the newest addition to the Peterson family, is an acquisition which reflects the company's desire to become a key player in an increasingly global marketplace. Attractive profit incentives have prompted growing numbers of American manufacturers to seek overseas manufacturing capability, yet most have almost no global experience.

Sourcing companies like Transworld Products rely on an extensive international network of product sourcing and marketing specialists to provide American companies with product development and distribution support. Mr. Armacost explained, "By combining our product manufacturing capabilities and advanced engineering technology with the international operations of Transworld, we will be able to add many new product offerings while enhancing the services both Transworld and Peterson can provide to their customers."

Even though Peterson's been recognized as a substantial aftermarket player, it's not likely to lose the traditions and values that have propelled it from a small family business to a multi-industry corporation. ■

Top 100 Chain Updates

Information on several chains should be added to or changed on our 1992 Top 100 list (July). They are:

- Worldwide Auto Parts, Inc. has 33 stores, seven service bays, and had annual sales of $19,000,000. Jim Foos is COO, 95% of its business is retail, and the address and phone number are 87 Brooklyn Ave., Youngstown, OH 44507 (216) 782-2204
- AutoZone reports that its fiscal year ended August 29, 1992 with 12-month sales of $911,743,000. The chain now operates 644 stores, having just opened its first one in Wisconsin. ■

As imported vehicle nameplates crowd America's highways, sellers of auto parts must know who the maintainers of these vehicles are and how they differ from maintainers of domestic nameplates.

IMPORT PARTS: AN UPDATE

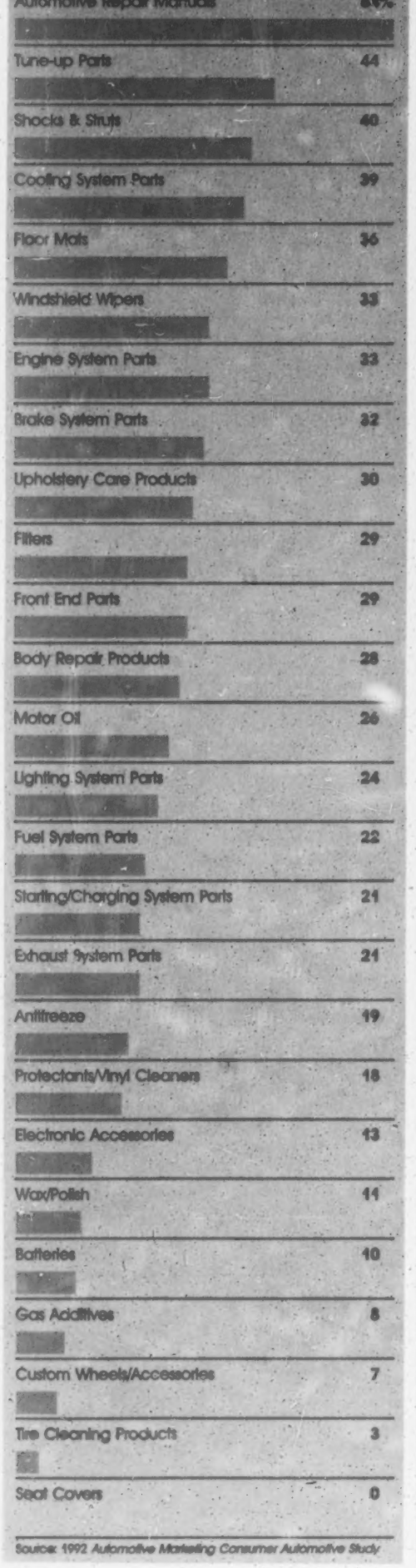
by Phil Kotcher, Business Editor

If there's one segment of the aftermarket that's set to take off, it's the import parts segment. According to Lang Marketing Resources, Inc., Wyckoff, NJ, sales of import vehicle parts and accessories in the five years before 1995 will soar 55%. In dollar terms, James A. Lang, the firm's president, says that this means a jump of some $7.8 billion over the five year period. By 1996, the aftermarket will see import parts and accessories sales of some $21.6 billion at user level in current dollars.

(Circle 12 on Product Information Card)

WHERE IMPORT MAINTAINERS BUY: DEALERSHIPS

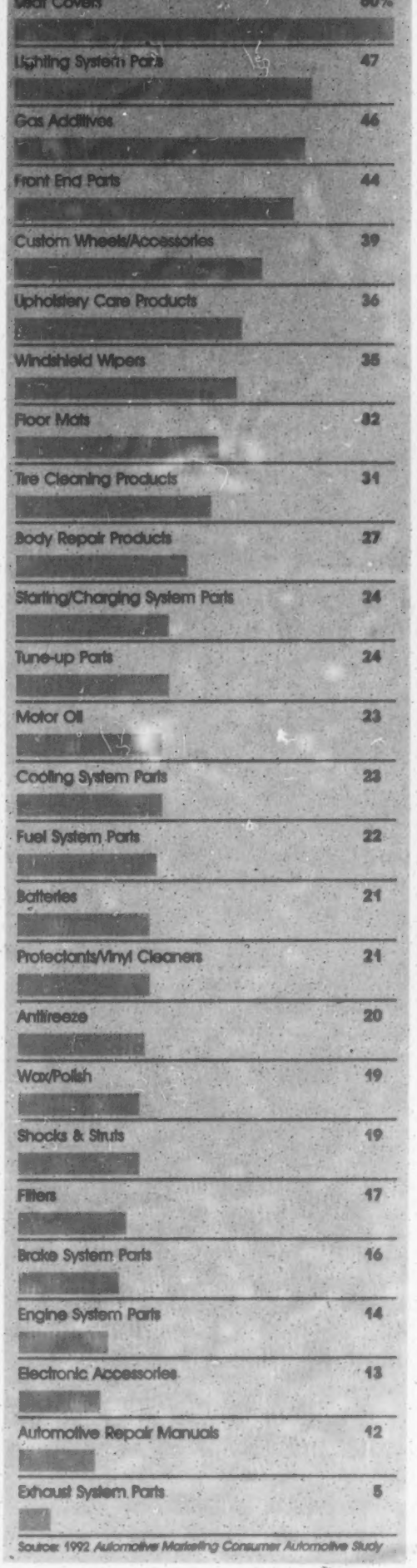
Tradition has it that most import maintainers return to the dealer more than do domestic car maintainers. We asked individuals who said they were responsible for maintaining a vehicle with an import nameplate where they bought products for that vehicle over the course of the previous year. Then we broke out the products purchased at some sort of dealership.



Source: 1992 *Automotive Marketing Consumer Automotive Study*

WHERE IMPORT MAINTAINERS BUY: AUTO PARTS STORES

We asked individuals who said they were responsible for maintaining a vehicle with an import nameplate where they bought products for that vehicle over the course of the previous year. Then we broke out the products purchased at some sort of auto parts store, both jobbers and jobber/retailers.



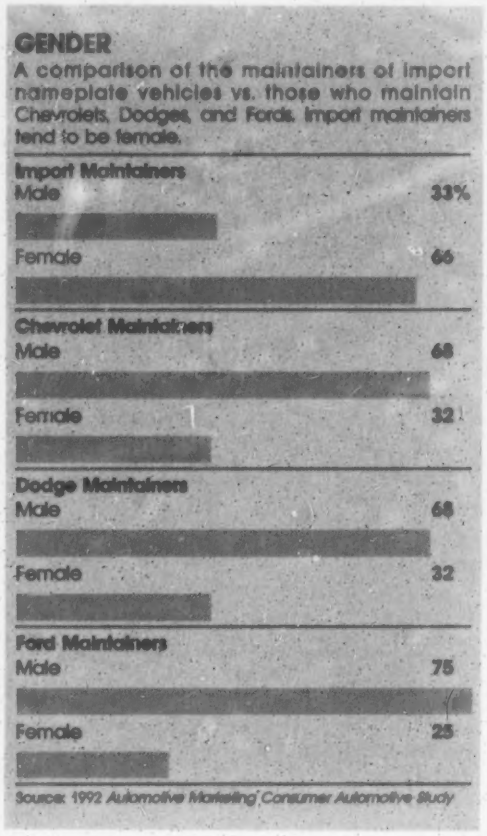
Source: 1992 *Automotive Marketing Consumer Automotive Study*

But jobbers and retailers can't just stock an additional inventory of import parts and accessories and expect to keep up with the booming market. It just isn't the cars that are different; with the growth of sales of import products, the whole way of doing business is a whole new ball game. "Growth of the foreign vehicle aftermarket will radically change the consumption patterns of aftermarket products," said Lang, "as well as where aftermarket parts and service are purchased."

The reason for these changes is that the end user—the import vehicle maintainer—is different, acts differently, buys different products, and patronizes different outlets than the domestic nameplate maintainer.

GENDER

A comparison of the maintainers of import nameplate vehicles vs. those who maintain Chevrolets, Dodges, and Fords. Import maintainers tend to be female.



Source: 1992 *Automotive Marketing Consumer Automotive Study*

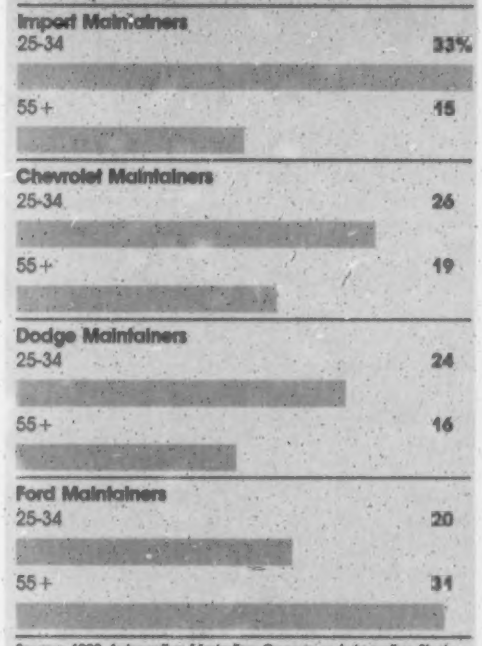
The Different Import Maintainer

Elmo Jones, Western Auto, Carmi, IL, is one retailer who already sees what the differences are between how owners of import nameplate and domestic nameplate vehicles maintain their vehicles. "It seems like the younger and more influential people buy the import and they tend to have more money to maintain them." They're also more "meticulous" says Harold Stein, Hi-Gear, Capital Heights, MD.

Are they younger? When we compare 1992 *Automotive Marketing Consumer Automotive Repair Study (CARS)* data for all maintainers of all sorts of vehicles, from domestic off-road vehicles like Jeeps to high-priced luxury vehicles like Infinitis, to just those who maintain im-

AGE

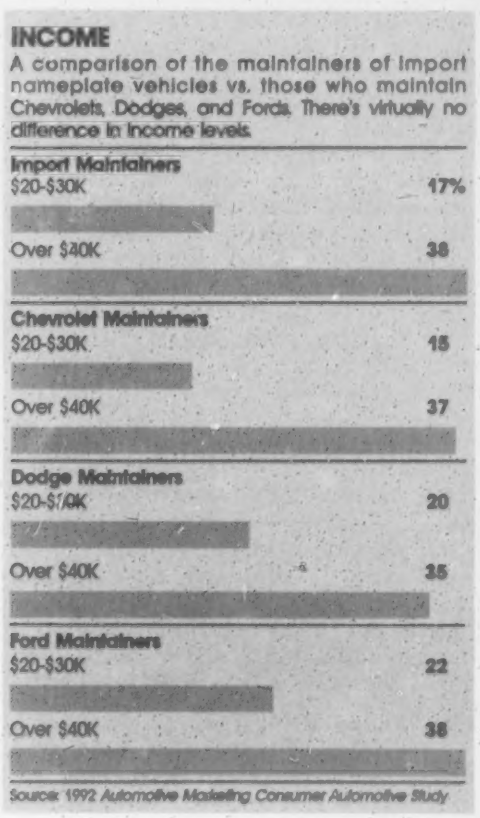
A comparison of the maintainers of import nameplate vehicles vs. those who maintain Chevrolets, Dodges, and Fords. Import maintainers tend to be younger.



Source: 1992 *Automotive Marketing Consumer Automotive Study*

INCOME

A comparison of the maintainers of import nameplate vehicles vs. those who maintain Chevrolets, Dodges, and Fords. There's virtually no difference in income levels.



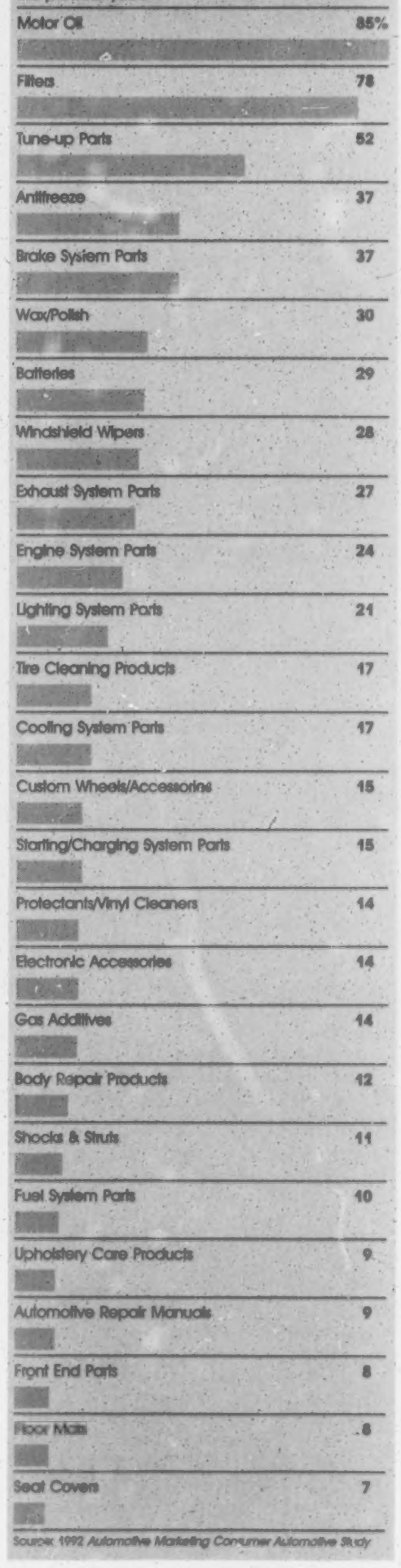
Source: 1992 *Automotive Marketing Consumer Automotive Study*

ported nameplate vehicles we do see some differences by age. While 19% of all maintainers are over 45 years old, only 14% of import vehicle maintainers are in the same age bracket. While 5% may not seem like much, when one considers that import vehicle maintainers are included in the 19%, and by themselves the percentage is lower, it's easy to see that the percentage of domestic vehicle maintainers in this age group has to be significantly higher. At the same time, almost half (45%) of import vehicle maintainers are under 34 years of age, while only 34% of all vehicle maintainers fall in this younger age group.

How about more "influential?" Well, if money means influence, they probably aren't in any significant numbers. According to the *CARS* data, 38% of all import nameplate vehicle maintainers have annual household incomes of over $40,000. This compares to all vehicle maintainers—both domestic and import combined—who have an annual household income of over $40,000. They make up 34%—only a 4% difference, which, given the margin of error in the study suggests that the difference is slight at best.

WHAT IMPORT MAINTAINERS BUY

We asked what individuals who said they were responsible for maintaining a vehicle with an import nameplate bought for that vehicle over the course of the previous year.



Source: 1992 *Automotive Marketing Consumer Automotive Study*

If education means influence, however, they probably are. In all, 42% of import nameplate maintainers are college graduates, compared to 31% of all vehicle maintainers—and that is a significant difference.

They are indeed a younger and somewhat more influential maintaining group—and that means they'll be in the aftermarket longer than the average domestic vehicle maintainer will be. The maintaining and buying patterns they have now will be those which come to dominate the aftermarket in years to come.

"The import-only maintainers seem several notches above domestics-only in care," says Art Badgley, Art's Precision Automotive, Godfrey, IL. "They're very careful."

Indeed, according to figures gathered for the *CARS*, only 7% of import vehicle maintainers said they bought no new parts, chemicals, or accessories for their vehicle during the previous 12 months. However, 11% of all vehicle maintainers bought nothing for their vehicles during the same period. As well, 11% of all maintainers bought only one product for their vehicle, while only 7% of import maintainers bought only one such product.

What this means is that generally import vehicle maintainers are less apt to ignore their vehicles' needs and buy at least what's needed to keep the vehicle going.

Are They DIYers Or Not?

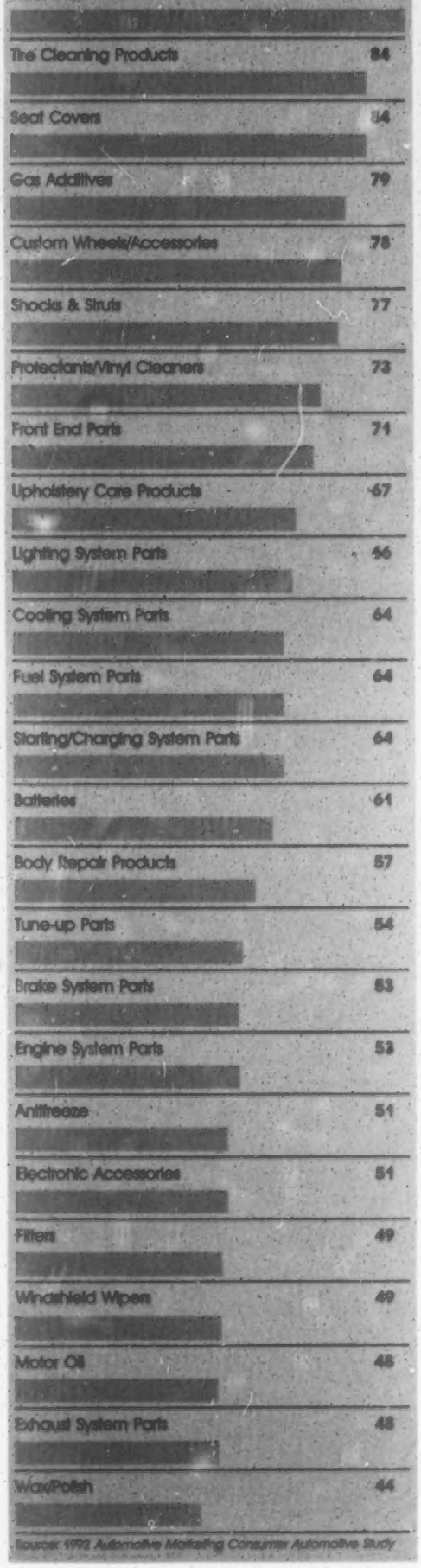
Conventional wisdom is, however, that overall they don't install the products they buy themselves, but get the work done professionally. Curt Hottle, Sidney Auto Parts, Sidney, OH, notes that most imported vehicle maintainers return to the original new car dealer to get work done on the vehicle. "There are not many DIYers unless their cars are six or more years old," he says.

The *CARS* data show this. In all, 20% of vehicle maintainers overall say they're non-DIYers, while 23% of import vehicle maintainers are non-DIYers. At the other end of the scale, the big spenders in auto parts stores, the dedicated DIYers are more domestic vehicle maintainers. In all, 16% of all vehicle maintainers are dedicated DIYers, while only 3% of import vehicle maintainers are DIYers.

While this may not be great news for the average retailer whose main business is selling parts across the counter to DIYers, it's great news for jobbers selling import parts and accessories to professional installers. Those import

WHAT IMPORT MAINTAINERS INSTALL

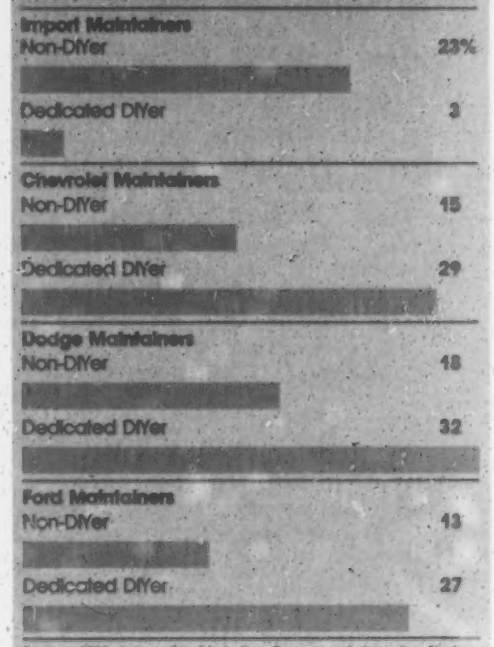
We asked what individuals who said they were responsible for maintaining a vehicle with an import nameplate bought and had DIY-installed, as opposed to having professionally installed, in that vehicle over the course of the previous year. Jobbers, of course, should concentrate on products which buyers tend not to install themselves, while retailers should stock products from the top of the list.



Source: 1992 *Automotive Marketing Consumer Automotive Study*

DIY OR NOT

A comparison of the maintainers of import nameplate vehicles vs. those who maintain Chevrolets, Dodges, and Fords. It's good news for professional installers specializing in import nameplates and retailers of domestic parts to DIYers.



Source: 1992 *Automotive Marketing Consumer Automotive Study*

car drivers who you see driving past your store doors are buying parts and accessories for those Jags and Mazdas; they're just buying them from an installer rather than putting them on themselves.

And, they may be having those parts put on less frequently than do maintainers of domestic vehicles. A recent survey conducted by AutoVantage, Stamford, CT, indicates that 68% of car owners believe that domestic nameplate vehicles require more frequent servicing then do foreign nameplates.

Europe vs. Asia

But, that's a blanket statement, and, like most blanket statements, it's only partially correct. There are real differences in installation behavior—DIY vs. non-DIY—among import nameplate maintainers. There's a basic difference between European nameplate owners and Asian nameplate owners that leads them to handle vehicle maintenance differently. "European car owners are car buffs," says Louis S. Wilson, C.W. Douglas, Inc., Buzzards Bay, MA. "Japanese customers are looking for value."

Norman Meinke, 2-M Auto Supply Inc., Lowell, AR, agrees. "The European owners are more particular with their vehicles," he says. As well, says M.L. Movey, Hub Tire Co., Norristown, PA, "European maintainers are more maintenance-conscious."

"European car owners tend to utilize dealer services more as their vehicles are generally more expensive types," says J.D. Carlon, Arnold Auto Supply, Arnold, CA. "Japanese cars are definitely the most predominant so parts are more readily available for DIYers. A good many of the imports in our area are out of warranty so the average owner does his own maintenance." As well, he adds, "we are also 80 mile from the nearest import dealer—so that helps."

In looking at the maintainers of Volvos, the largest single group of European nameplate maintainers surveyed in the 1992 *CARS*, we see that they are about evenly divided between male and female, but all are aged between 25 and 44 years old. They all make over $20,000 annually, with the largest group making over $40,000 in annual household income. All do some automotive DIY work. Over half, however, say they are only "light" DIYers who are only willing to do things like top off oil or antifreeze.

The vast majority of maintainers of Mercedes, Jaguar, and Volkswagens were also men—and men are traditionally more aware of vehicle maintenance. However, as one might expect, most Volkswagen drivers were medium to dedicated DIYers, while maintainers of the upmarket cars said they were either non-DIYers or light DIYers.

The bulk of European nameplates sold today tend to be larger, more expensive vehicles. Among Asian nameplates, however, although upmarket models have become increasingly popular, the bulk of sales is still of basic transportation models. And, of all subcompact and compact vehicle sales in 1990, 54% were made to women.

So its no surprise to find differences between European nameplate maintainers and Honda maintainers. In the case of Honda maintainers, three quarters are female. Almost a quarter are under 25 years old, while a third are between 24 and 34 years old. A third make less than $30,000 in annual household income, while just over a quarter makes between $30,000 and $40,000. Finally, 13% say they do absolutely no automotive DIY work themselves, while 65% say they are only "light" DIYers.

These aren't atypical Asian car maintainers. Among Toyota maintainers, 64% are female. Almost a quarter are between 25 and 34 years old, while almost a third are between 35 and 44 years old. Some 20% make less than $20,000 in annual household income, while another 38% make over $40,000. And, just over a third say they are non-DIYers, while almost half say they are only "light" DIYers.

So, get ready for the coming boom in the sales of import vehicle parts and accessories. But, be aware of the differences in the different types of buyers for them all. Be ready to sell parts and accessories for European vehicles, except for Volkswagens, through professional installers. While there may be fewer European nameplate vehicles in your area than Asian nameplates, their maintainers will often be more vehicle-conscious and have the money to spend to have them professionally maintained. Volkswagen drivers will often be DIYers who will buy across the counter.

Then, Asian nameplate drivers will often be younger, often female, who perhaps don't know as much about vehicle maintenance as other nameplate drivers, but will be concerned about vehicle maintenance and will tend to have their vehicles maintained professionally. So your sales of Asian nameplate vehicle parts and accessories wholesale should grow. ■